

House Study Bill 699

HOUSE FILE _____
BY (PROPOSED COMMITTEE ON
AGRICULTURE BILL BY
CHAIRPERSON DRAKE)

Passed House, Date _____ Passed Senate, Date _____
Vote: Ayes _____ Nays _____ Vote: Ayes _____ Nays _____
Approved _____

A BILL FOR

1 An Act relating to state tax benefits for use of soy-based
2 transformer fluid by electric utilities and including
3 applicability date provisions.
4 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:
5 TLSB 6456HC 81
6 mg/gg/14

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1 1 Section 1. NEW SECTION. 422.11M SOY=BASED TRANSFORMER
1 2 FLUID TAX CREDIT.
1 3 The taxes imposed under this division, less the credits
1 4 allowed under sections 422.12 and 422.12B, shall be reduced by
1 5 a soy-based transformer fluid tax credit allowed under chapter
1 6 476D.
1 7 This section is repealed December 31, 2008.
1 8 Sec. 2. Section 422.33, Code Supplement 2005, is amended
1 9 by adding the following new subsection:
1 10 NEW SUBSECTION. 20. The taxes imposed under this division
1 11 shall be reduced by a soy-based transformer fluid tax credit
1 12 allowed under chapter 476D.
1 13 This subsection is repealed December 31, 2008.
1 14 Sec. 3. Section 423.4, Code Supplement 2005, is amended by
1 15 adding the following new subsection:
1 16 NEW SUBSECTION. 6. A person in possession of a soy-based
1 17 transformer fluid tax credit certificate issued pursuant to
1 18 chapter 476D may apply to the director for refund of the
1 19 amount of sales or use tax imposed and paid upon purchases
1 20 made by the applicant.
1 21 a. The refunds may be obtained only in the following
1 22 manner and under the following conditions:
1 23 (1) On forms furnished by the department and filed by
1 24 January 31 after the end of the calendar year in which the tax
1 25 credit certificate is to be applied, the applicant shall
1 26 report to the department the total amount of sales and use tax
1 27 paid during the reporting period on purchases made by the
1 28 applicant.
1 29 (2) The applicant shall separately list the amounts of
1 30 sales and use tax paid during the reporting period.
1 31 (3) If required by the department, the applicant shall
1 32 prove that the person making the sale has included the amount
1 33 thereof in the computation of the sales price of such person
1 34 and that such person has paid the tax levied by this
1 35 subchapter or subchapter III, based upon such computation of
2 1 the sales price.
2 2 (4) The applicant shall provide the tax credit
2 3 certificates issued pursuant to chapter 476D to the department
2 4 with the forms required by this paragraph "a".
2 5 b. If satisfied that the foregoing conditions and
2 6 requirements have been complied with, the director shall
2 7 refund the amount claimed by the applicant for an amount not
2 8 greater than the amount of tax credits issued in tax credit
2 9 certificates pursuant to chapter 476D.
2 10 c. This subsection is repealed December 31, 2008.
2 11 Sec. 4. NEW SECTION. 437A.17C REIMBURSEMENT FOR SOY=
2 12 BASED TRANSFORMER FLUID.
2 13 A person in possession of a soy-based transformer fluid tax
2 14 credit certificate issued pursuant to chapter 476D may apply
2 15 to the director for a reimbursement of the amount of taxes
2 16 imposed and paid by the person pursuant to this chapter in an
2 17 amount not more than the person received in soy-based

2 18 transformer fluid tax credit certificates pursuant to chapter
2 19 476D. To obtain the reimbursement, the person shall attach to
2 20 the return required under section 437A.8 the soy-based
2 21 transformer fluid tax credit certificates issued to the person
2 22 pursuant to chapter 476D and provide any other information the
2 23 director may require. The director shall direct a warrant to
2 24 be issued to the person for an amount equal to the tax imposed
2 25 and paid by the person pursuant to this chapter but for not
2 26 more than the amount of the soy-based transformer fluid tax
2 27 credit certificates attached to the return.

2 28 This section is repealed December 31, 2008.

2 29 Sec. 5. NEW SECTION. 476D.1 DEFINITIONS.

2 30 As used in this chapter, unless the context otherwise
2 31 requires:

2 32 1. "Board" means the utilities board within the utilities
2 33 division of the department of commerce.

2 34 2. "Department" means the department of revenue.

2 35 3. "Electric utility" means a public utility furnishing
3 1 electricity as defined in section 476.1, a city utility as
3 2 defined in section 390.1, and an electric cooperative as
3 3 defined in section 390.1.

3 4 4. "Soy-based transformer fluid" means dielectric fluid
3 5 that contains at least ninety-eight percent soy-based
3 6 products.

3 7 Sec. 6. NEW SECTION. 476D.2 SOY-BASED TRANSFORMER FLUID
3 8 TAX CREDIT == LIMIT.

3 9 1. An electric utility is eligible to receive a soy-based
3 10 transformer fluid tax credit which is equal to the costs
3 11 incurred by the utility during the tax year for the purchase
3 12 and replacement costs relating to the transition from using
3 13 nonsoy-based transformer fluid to using soy-based transformer
3 14 fluid. The costs eligible for the credit are limited to those
3 15 costs meeting all of the following requirements:

3 16 a. The costs were incurred after June 30, 2006, and before
3 17 January 1, 2008.

3 18 b. The costs were incurred in the first eighteen months of
3 19 the transition from using nonsoy-based transformer fluid to
3 20 using soy-based transformer fluid.

3 21 c. The credit for the purchase and replacement of soy-
3 22 based transformer fluid used in the transition is limited to
3 23 two dollars per gallon. The total number of gallons used in
3 24 the transition shall not exceed twenty thousand gallons per
3 25 electric utility.

3 26 If the electric utility elects to take the soy-based
3 27 transformer fluid tax credit, the electric utility shall not
3 28 deduct for Iowa tax purposes any amount of the costs incurred
3 29 in the transition to using soy-based transformer fluid which
3 30 is deductible for federal tax purposes.

3 31 2. Any credit used under chapter 422, division II or III,
3 32 which is in excess of the tax liability shall be refunded with
3 33 interest computed under section 422.25. In lieu of claiming a
3 34 refund, a taxpayer may elect to have the overpayment shown on
3 35 the taxpayer's final, completed return credited to the tax

4 1 liability for the following tax year.

4 2 3. An individual may claim the tax credit under chapter
4 3 422, division II, allowed a partnership, limited liability
4 4 company, S corporation, estate, or trust electing to have the
4 5 income taxed directly to the individual. The amount claimed
4 6 by the individual shall be based upon the pro rata share of
4 7 the individual's earnings of the partnership, limited
4 8 liability company, S corporation, estate, or trust.

4 9 4. The total amount of soy-based transformer fluid
4 10 eligible for a tax credit shall not exceed sixty thousand
4 11 gallons.

4 12 Sec. 7. NEW SECTION. 476D.3 TAX CREDIT CERTIFICATE
4 13 PROCEDURE.

4 14 1. An electric utility may apply to the board for the soy-
4 15 based transformer fluid tax credit by submitting to the board
4 16 all of the following:

4 17 a. A completed application in a form prescribed by the
4 18 board.

4 19 b. A copy of the determination granting approval of the
4 20 electric utility as an eligible electric utility by the board.

4 21 c. A copy of a signed purchase agreement or other
4 22 agreement to purchase soy-based transformer fluid.

4 23 d. Any other information the board deems necessary.

4 24 2. The board shall notify the department of the amount of
4 25 soy-based transformer fluid purchased by an eligible electric
4 26 utility. The department shall calculate the amount of the tax
4 27 credit for which the applicant is eligible and shall issue the
4 28 tax credit certificate for that amount or notify the applicant

4 29 in writing of its refusal to do so. An applicant whose
4 30 application is denied may file an appeal with the department
4 31 within sixty days from the date of the denial pursuant to the
4 32 provisions of chapter 17A.

4 33 3. Each tax credit certificate shall contain the person's
4 34 name, address, and tax identification number, the amount of
4 35 tax credits, the first taxable year the certificate may be
5 1 used, the type of tax to which the tax credits shall be
5 2 applied, and any other information required by the department.
5 3 The tax credit certificate shall only list one type of tax to
5 4 which the amount of the tax credit may be applied. Once
5 5 issued by the department, the tax credit certificate shall not
5 6 be terminated or rescinded.

5 7 4. Once a tax credit certificate is issued pursuant to
5 8 this section, the tax credit may only be claimed against the
5 9 type of tax reflected on the certificate.

5 10 Sec. 8. NEW SECTION. 476D.4 RULES.

5 11 The department and the board may adopt rules pursuant to
5 12 chapter 17A for the administration and enforcement of this
5 13 chapter.

5 14 Sec. 9. NEW SECTION. 476D.5 APPLICABILITY == REPEAL.

5 15 1. This chapter applies to tax years ending after June 30,
5 16 2006, and beginning before January 1, 2008.

5 17 2. This chapter is repealed December 31, 2008.

5 18 EXPLANATION

5 19 This bill provides a soy-based transformer fluid tax credit
5 20 under the individual and corporate income, sales and use, and
5 21 replacement taxes. Soy-based transformer fluid is
5 22 nonconductive fluid that contains at least 98 percent soy=
5 23 based products. The tax credit equals the costs incurred for
5 24 the purchase and replacement costs for electric utilities
5 25 related to the transition from using nonsoy-based transformer
5 26 fluid to using soy-based transformer fluid. The costs must
5 27 meet three other requirements: They were incurred after June
5 28 30, 2006, and before January 1, 2008, they were incurred in
5 29 the first 18 months of the transition to using soy-based
5 30 transformer fluid, and the credit of the soy-based transformer
5 31 fluid used in the transition is limited to \$2 per gallon, up
5 32 to 20,000 gallons per electric utility. The total amount of
5 33 soy-based transformer fluid eligible for a tax credit is not
5 34 to exceed 60,000 gallons. Any excess credit is refundable.
5 35 The credit applies to tax years ending after June 30, 2006,
6 1 and beginning before January 1, 2008. The credit is repealed
6 2 December 31, 2008.

6 3 LSB 6456HC 81

6 4 mg:nh/gg/14